

AR44

Handwritten:
Kauf
been figures
see auditors
report

DYNASTY

EXPLORATIONS LIMITED



SEVENTH

ANNUAL REPORT

1971

DYNASTY EXPLORATIONS LIMITED

DIRECTORS

Dr. Aaro E. Aho, Vancouver, B.C.
R. E. Gordon Davis, Vancouver, B.C.
John Bruk, West Vancouver, B.C.
H. R. Whittall, Vancouver, B.C.

OFFICERS

Dr. Aaro E. Aho, President
R. E. Gordon Davis, Executive Vice-President
John Bruk, Secretary and General Counsel
John S. Brock, Vice-President—Exploration
Selwyn B. Jones, Vice-President—Corporate

HEAD OFFICE

330 - 355 Burrard Street,
Vancouver 1, B.C.

SOLICITORS

Lawrence & Shaw, Vancouver, B.C.

AUDITORS

McDonald, Currie & Co., Vancouver, B.C.

TRANSFER AGENT

The Guaranty Trust Company of Canada
Vancouver, Calgary, Winnipeg, Toronto, Montreal

ANNUAL MEETING

Thursday, April 27th, 1972 at 10:00 a.m.
Windsor Room, Hotel Georgia,
Vancouver 1, B.C.



DIRECTORS' REPORT TO THE SHAREHOLDERS

The year 1971 was highlighted by marked improvement in the operational and financial performance of Anvil Mining Corporation which is 40% owned by Dynasty. The recent strengthening of lead and zinc markets combined with the improved operations of Anvil justify an optimistic and confident outlook for 1972. In response to these factors, and to the exploration results obtained in 1971, Dynasty will continue to pursue a systematic and expanded program in the Anvil district.

The annual financial statements of the Company which are incorporated in this report have for the first time been prepared on an 'equity accounting' basis. It is the opinion of management that this method, which permits the inclusion of the Company's share of earnings generated by affiliated companies in which Dynasty holds a greater than 20% interest, more accurately reflects the value of the shareholders' investment.

The Company's pro-rata share of the earnings of Anvil Mining Corporation amounted to 71c per share. Earnings of the Company for 1971 were \$1,776,281 or 59c per share after deducting a loss of 3c per share in respect to the investment in Atlas Explorations Limited and operations expenses of the Company of 9c per share. These results compare most favourably with the loss, computed on a similar basis, of 26c per share for 1970 and mark a salutary turning point in the affairs of your Company.

ANVIL MINING CORPORATION LIMITED (40% Dynasty)

1971 was a year of substantial progress for Anvil Mining Corporation. The mill treated a total of 2,673,000 tons of ore grading 4.9% lead and 6.8% zinc, an average of 7300 tons per day, which was 700 tons above rated capacity. Concentrate production for 1971 was 145,000 tons of lead, 220,000 tons of zinc and 64,000 tons of bulk lead-zinc which in total exceeded 1970 output by 164,000 tons or 61%. Significant improvements were made in metal recoveries and operating costs during the year. The net value of production for 1971 was \$7,246,000 as compared to \$60,000 for 1970.

The prices which Anvil receives for lead and zinc are the London Metal Exchange price for lead and the European producers' price for zinc. The average price for lead received during the year declined to 11.5c per lb. from 13.6c per lb. in 1970. However, the economic impact of this change was offset by a 1.9c per lb. increase in the average zinc price for the year to 16.3c from 14.4c per lb. in 1970. Lead and zinc prices are currently above 1971 levels and the outlook is strong for both metals.

Anvil Mining Corporation Limited Summary of Operations 1971	
Ore	
Tons Milled (D.S.T. 000's)	2,673
% Lead	4.92
% Zinc	144,957
Concentrates Produced	
Lead Concentrate (D.S.T.)	6.79
% Lead	67.11
Zinc Concentrates (D.S.T.)	219,782
% Zinc	49.83
Bulk Concentrate (D.S.T.)	64,457
% Combined Lead/Zinc	46.08
Average Metal Price	
Lead — c per pound	11.5
Zinc — c per pound	16.3
	\$(000)
Net Market Value of Production	43,711
Production and operating costs	27,023
Depreciation and amortization	4,001
Interest on external borrowings	3,666
Yukon Mining Royalty	506
Gain on foreign exchange	(602)
Loss on sale of fixed asset	9
	34,603
Value of production before shareholder interest	9,108
Shareholder interest	1,862
Net Value of Production \$(000)	<u>\$ 7,246</u>

Anvil has maintained an active program of metallurgical test work and recent production data indicates a continuing trend of improved metal recoveries and concentrate grades. In February 1972, it was announced that agreement had been reached on certain modifications to Anvil's smelter contracts with Japanese buyers of lead and zinc concentrates. The changes include a 5% cut-back in deliveries relative to contract tonnages during 1972, a 16% deferral of deliveries from 1972 to early 1973, and increased treatment charges for the most part affecting the

year 1972 exclusively. Anvil is hopeful that alternative markets can be found for the concentrate tonnages subject to cutback and the company is actively pursuing their sale. Production of bulk lead-zinc concentrate will be increased up to the contract tonnage rate of 88,000 tons/year in 1972.

Despite amended smelter contracts, the positive factors of improving metallurgy, anticipated lower operating costs and higher metal prices should result in better financial performance by Anvil in 1972.

An increased exploration program on Anvil's extensive claim holdings during the year consisted of geological mapping, geochemical surveys including shallow drilling for bedrock samples and diamond drilling. The 1972 program will expand on the areas covered this past year and will follow up on targets outlined by the 1971 program.

Anvil completed 73 new employee housing units in Faro during the year. Other important additions to the townsite included a shopping centre development and construction of an excellent hotel, both by private developers.

ATLAS EXPLORATIONS LIMITED (24% Dynasty)

The Atlas Lake Erie gas field did not recommence production until May, 1971 due to freezing conditions in the pipeline and this coupled with the earlier government closure of two wells adversely affected its cash flow position. The situation eased considerably with the opening of an additional well in Lake Erie, bringing daily production up to 1.8 million cu. ft. per day. A waterflood program on the Willey Oil Field, in which Atlas holds a 10.68% interest, was completed by year end and this will generate increased earnings in 1972.

Atlas is actively seeking financing and is hopeful that its exploration activity in the Yukon will be increased in 1972. Efforts are also continuing to stimulate a viable program on its Sierra Gorda copper/molybdenum project in Chile.

MINERAL EXPLORATION

During 1971 Dynasty Explorations participated in mineral exploration programs in British Columbia, Washington State and Yukon Territory involving a total expenditure of \$300,000.

- Emphasis was concentrated in the Anvil area on the Tintina Project, comprising 500 claims where \$100,000 was spent on a program of detailed geologic mapping, electromagnetic and geochemical surveys. Extensive drill testing of geologic/geophysical targets for base metal sulphides will be undertaken in 1972.
- On the Max property, located in the Nisling Range, low-grade molybdenum values were intersected by diamond drilling.
- Financial and technical assistance was contributed to the \$480,000 exploration program conducted by Anvil Mining Corporation on its mineral holdings in the Anvil area.
- Numerous property examinations were carried out in British Columbia and Washington State resulting in acquisition, pursuant to an option agreement, of the Hilltop copper prospect located east of Barriere, British Columbia. Linecutting, soil sampling, magnetometer and geological surveys have been completed. Diamond drilling of known mineral occurrences and geochemical targets is scheduled for 1972.

Tintina-Anvil Project

The Tintina-Anvil Project is being carried out in joint venture with Atlas Explorations. Dynasty is the operator of the venture and holds an 80% interest in the project. Atlas currently holds 20% but has the right to reinstate its interest to 40% by the subsequent advance of its share of funds plus penalty.

Based on the distribution of known near-surface replacement-type lead-zinc ore deposits and the high probability of the existence of additional such deposits at depth, or under overburden areas, intensive exploration of the Anvil area is well warranted. Continued exploration over the last two years has been based on improved knowledge of the district gained from a re-evaluation of earlier exploration data, current exploration results available from Anvil Mining Corporation and development of improved exploration methods.

Approximately \$200,000 was spent in 1970 and 1971 on the renewed program in the Anvil area involving large scale property acquisition and ground follow-up. The joint venture holds two major groups of claims within the Anvil area and considerable exploration has been undertaken on all the claims including geologic mapping, magnetic and electromagnetic surveys, gravity survey coverage and soil and silt sampling.

East Sector—278 claims (Hoho-Bram, Echo, Delta, Capa)

This area is thought to be the most promising for new discoveries of lead-zinc sulphides. Geologic mapping of the region has indicated the presence of rock units similar to those which contain the Anvil, Vangorda and Swim deposits. The next phase of exploration will involve detailed deep drilling of E.M. conductors and favourable stratigraphy at a cost of \$250,000.

West Sector—207 claims (Roto, Jean, Gran, Lorna)

Rock types similar to the Anvil, Vangorda and Swim deposits are not exposed in this area, which is mainly covered by overburden, yet its proximity to the Faro deposit and other recent properties of merit make these holdings attractive for further work. Diamond drilling of geophysical targets is proposed for a cost of \$100,000.

The company is encouraged by results from last year's exploration activity and during 1972 will continue with exploration of the Anvil area. Additional joint venture participation is now being sought for continuation of proposed exploration through 1972.

Victor Project

Within the last three years the Dawson and Nisling Range area of Yukon has been revealed as a major new porphyry copper belt. In 1969, in joint venture with Atlas Explorations, the Company organised the Victor project to explore the Dawson Range. The project currently comprises 370 claims in 3 groups, one of which is the Max copper-moly prospect located in the Nisling range. During the year an I.P. survey and diamond drilling were carried out on the Max molybdenum-copper prospect which is joint ventured with Imperial Oil Enterprises Limited. In consideration of this work, Imperial has earned a 20% interest in the Max claims. No further work is planned on this project at this time.

Hilltop Project

The Barriere area of British Columbia has attracted considerable interest because of recent copper discoveries, notably Noranda's Harper Creek properties. Extensive magnetometer and

soil sampling surveys coupled with a detailed geologic mapping program, have outlined several anomalous zones on which drill locations have been selected.


1972 Program

Plans for 1972 include continued exploration of the Anvil area. Two regional exploration programs for copper are also planned for Yukon. A regional search for lead-zinc deposits in north-central British Columbia will commence this year and Dynasty hopes to generate joint venture interest from other companies in several of its continuing exploration programs.

Despite the cloud of uncertainty which hovered over the mining industry in 1971 and which indeed continues to inhibit its historical aggressiveness, your Company maintained an active search for mineral deposits with emphasis on areas with known lead/zinc potential. The year 1972 will see a continuation of this endeavour. We are confident that 1972 will also see increased benefits from the Anvil Mine with operational efficiency continuing to improve under dedicated management.

We wish to thank our staff, associates and shareholders for their co-operation during the past year and seek their valued goodwill in the year ahead.

On behalf of the Board of Directors.

A handwritten signature in blue ink, appearing to read "Aaro E. Aho". The signature is fluid and cursive, with the first name "Aaro" being the most prominent.

AARO E. AHO
President

March 24th, 1972

DYNASTY EX
BAL
as at D

ASSETS			
		1971	1970
		\$	\$
CURRENT ASSETS			
Cash and short-term deposits		220,042	602,802
Marketable securities—at market value (cost 1971—\$15,222; 1970—\$62,750)		3,867	37,198
Accounts receivable		75,109	28,382
Prepaid expenses		3,333	5,000
		302,351	673,382
INVESTMENTS (notes 1, 2 and 3)		13,163,862	10,608,965
PARTICIPATION IN EXPLORATION JOINT VENTURES, at cost (notes 1 and 4)		744,713	743,261
MINERAL PROPERTIES AND RELATED COSTS (notes 1 and 5)		35,068	—
FIXED ASSETS, at cost less accumulated depreciation and amortization (1971—\$85,540; 1970—\$62,778)		75,253	94,891
ORGANIZATION COSTS		6,629	6,629
		14,327,876	12,127,128

SIGNED ON BEHALF OF THE BOARD



Director



Director

CTIONS LIMITED
SHEET
31, 1971

LIABILITIES

	1971 \$	1970 \$
CURRENT LIABILITIES		
Bank loan (secured)	70,000	—
Accounts payable and accrued liabilities	24,083	87,733
	<u>94,083</u>	<u>87,733</u>
LONG-TERM DEBT (note 6)	7,366,418	6,960,892
	<u>7,460,501</u>	<u>7,048,625</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 7)		
Authorized—		
10,000,000 shares of the par value of \$2 each		
Issued and fully paid—		
2,991,020 shares (1970—2,988,700 shares)	2,200,590	2,195,950
CONTRIBUTED SURPLUS	3,927,806	3,919,855
RETAINED EARNINGS (DEFICIT)	738,979	(1,037,302)
	<u>6,867,375</u>	<u>5,078,503</u>
	<u>14,327,876</u>	<u>12,127,128</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Dynasty Explorations Limited as at December 31, 1971 and the statements of earnings, retained earnings, contributed surplus, and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change of accounting for investments on the equity basis as referred to in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 27, 1972.

McDonald, Currie & Co.
Chartered Accountants

NOTE—The 1970 figures are presented on a basis comparative with 1971.

DYNASTY EXPLORATIONS LIMITED
STATEMENT OF EARNINGS
for the year ended December 31, 1971

	1971 \$	1970 \$
INCOME		
Bond and short-term deposit interest	444,448	509,669
EXPENSES		
Administration	85,307	63,348
Audit	3,015	2,366
Depreciation and amortization	22,853	12,259
Debenture and bank interest	410,775	412,181
Legal	12,541	20,655
Miscellaneous	40,660	11,599
Rent	26,537	4,166
Shareholders' reports	9,678	10,868
Travel	6,764	2,414
Trust company fees	9,987	11,753
Anvil Mine Opening	—	21,826
	628,117	573,435
Less: Expenses recovered	103,705	29,333
	524,412	544,102
OPERATING LOSS	79,964	34,433
OTHER EXPENSES		
Write-off of joint venture properties abandoned	164,676	—
Loss on sale of marketable securities	7,726	—
Write-down of marketable securities from cost to market value	5,156	23,925
	177,558	23,925
OPERATING EARNINGS (LOSS) OF AFFILIATED COMPANIES (note 2)	2,070,999	(225,832)
EARNINGS (LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEMS [Earnings (loss) per share 1971—60c; 1970—(9c)]	1,813,477	(284,190)
EXTRAORDINARY ITEMS		
Extraordinary Expenses of affiliated company (note 2)	37,196	483,168
EARNINGS (LOSS) FOR THE YEAR [Earnings (loss) per share 1971—59¢; 1970—(26¢)]	1,776,281	(767,358)

DYNASTY EXPLORATIONS LIMITED
STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 1971

	1971	1970
	\$	\$
DEFICIT—BEGINNING OF YEAR, as previously reported	(142,362)	(84,004)
Adjustment for accumulated loss of prior years of affiliated company	(894,940)	(185,940)
DEFICIT—BEGINNING OF YEAR, as restated	(1,037,302)	(269,944)
EARNINGS (LOSS) FOR THE YEAR	1,776,281	(767,358)
RETAINED EARNINGS (DEFICIT)—END OF YEAR	738,979	(1,037,302)

DYNASTY EXPLORATIONS LIMITED
STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
for the year ended December 31, 1971

	1971	1970
	\$	\$
SOURCE		
Capital stock issued	7,820	—
USE		
Current Operations	83,495	73,466
Mineral properties and related costs	35,068	—
Participation in exploration joint ventures	166,128	488,348
Investments	97,300	—
Fixed assets—net	3,210	59,262
	385,201	621,076
DECREASE IN WORKING CAPITAL	377,381	621,076
WORKING CAPITAL—BEGINNING OF YEAR	585,649	1,206,725
WORKING CAPITAL—END OF YEAR	208,268	585,649
REPRESENTED BY:		
Current assets	302,351	673,382
Current liabilities	94,083	87,733
WORKING CAPITAL	208,268	585,649

DYNASTY EXPLORATIONS LIMITED
STATEMENT OF CONTRIBUTED SURPLUS
for the year ended December 31, 1971

	1971 \$	1970 \$
CONTRIBUTED SURPLUS—beginning of year	3,919,855	3,731,509
Add: Premium arising from sale or issue of shares (1971—2,320; 1970—15,600)	7,951	188,346
CONTRIBUTED SURPLUS—end of year	<u>3,927,806</u>	<u>3,919,855</u>

DYNASTY EXPLORATIONS LIMITED
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 1971

1. VALUES

The amounts shown for investments, participation in joint ventures, and mineral properties and related costs represent costs incurred to date and are not intended to reflect present or future values.

2. ACCOUNTING PRINCIPLES

In 1971, the Company adopted the equity method of accounting for its investments in 20% to 50% owned companies and applied such method retroactively. Under the equity method the Company's investment in such companies is carried on the balance sheet at cost plus its share of undistributed earnings and losses. The Company's share of the net earnings of these companies is now reflected in income and retained earnings. Had the previously used cost method been followed in the current year the loss for the year would have been \$257,522.

SUMMARY OF OPERATIONS OF AFFILIATED COMPANIES RECORDED IN THE ACCOUNTS ON THE EQUITY BASIS:

	ANVIL (40%) \$	ATLAS (24%) \$	TOTAL \$
1971 Operating profit (loss)	2,130,000	(59,001)	2,070,999
Extraordinary expense	Nil	37,196	37,196
Earnings (loss) for the year	<u>2,130,000</u>	<u>(96,197)</u>	<u>2,033,803</u>
1970 Operating profit (loss)	6,800	(232,632)	(225,832)
Extraordinary expense	Nil	483,168	483,168
Earnings (loss) for the year	<u>6,800</u>	<u>(715,800)</u>	<u>(709,000)</u>
1969 and prior years—(loss)	Nil	(185,940)	(185,940)
Total Earnings (loss)	<u>2,136,800</u>	<u>(997,937)</u>	<u>1,138,863</u>

3. INVESTMENTS

	Shares		Cost \$	Equity increase (decrease) \$	Carrying Amount \$
	Number	Market Value \$			
(a) Public company					
Atlas Explorations Limited	1,200,166	<u>384,053</u>	<u>3,573,395</u>	<u>(997,937)</u>	<u>2,575,458</u>

DYNASTY EXPLORATIONS LIMITED
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 1971

(b) Private companies

	Shares		Bonds and Advances	Equity increase (decrease)	Carrying Amount
	Number	Cost \$	\$	\$	\$
Anvil Mining Corporation Limited	600,000	375,958	6,409,300	2,136,800	8,922,058
Pelly River Mines Limited (N.P.L.)	100,000	25,714			25,714
Westrim Mining Corp. Ltd. (N.P.L.)	135,000	19,000			19,000
		<u>420,672</u>	<u>6,409,300</u>	<u>2,136,800</u>	<u>8,966,772</u>
Accrued interest on 7½ % income bonds series D, (\$1,541,148 U.S.)					1,621,632
					<u>10,588,404</u>
TOTAL					<u>13,163,862</u>

(c) (i) Anvil Mining Corporation Limited

Anvil is owned 40% by the Company and 60% by Cyprus Mining Corporation of Los Angeles, California. Under the terms of a financing agreement the Company loaned to Anvil \$6,062,000 (\$5,600,000 U.S.) to maintain its 40% interest.

The bonds are:

(i) General Mortgage bonds, series C, without interest	250,000
(ii) 7½ % income bonds, series D, (\$5,600,000 U.S.)	6,062,000
	<u>6,312,000</u>

These bonds constitute a part of a second fixed and floating charge on the assets and undertakings of Anvil. All principal and interest accruing is to be repaid out of net income of Anvil as defined in the Second Trust Deed of Anvil.

(ii) Atlas Explorations Limited

The Company holds 24% of the issued shares of Atlas, and has the right on the occasion of each new issue of Atlas treasury shares, to acquire sufficient shares to maintain its percentage interest.

(iii) Pelly River Mines Limited (N.P.L.) is a mining exploration company controlled by Anvil.

(iv) Westrim Mining Corporation Ltd. (N.P.L.) is a mining exploration company.

4. PARTICIPATION IN EXPLORATION JOINT VENTURES

	Company Equity in Joint Venture	Cost \$
(a) Yukon Territory		
Tintina	60%	185,286
Tintina-Anvil	80%	181,001
Victor	60%	303,448
Tantalus	60%	13,788
Other	Various %	17,632
		<u>701,155</u>
(b) British Columbia and Washington State	Various %	43,558
		<u>744,713</u>

The Company entered into an agreement with Atlas Explorations Limited whereby the companies could participate in all new projects initiated by either company with share interest and cost of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects.

5. MINERAL PROPERTIES AND RELATED COSTS

(a) As at December 31, 1971 the Company had the right to acquire under option, 45 mineral claims in the Kamloops Mining Division of British Columbia for cash payments totalling \$215,000, in varying amounts to November 1, 1976, and a share position in a company to be formed. As at December 31, 1971, all payments due had been made and totalled \$10,000. The Company has subsequently staked 159 mineral claims in the Kamloops Mining Division which form part of the option agreement.

(b) Mineral properties and related costs are as follows:

	Expenditures \$	Cost of properties \$	Total \$
Balance—beginning of year	Nil	Nil	Nil
Costs incurred during the year	25,068	10,000	35,068
Balance—end of year	<u>25,068</u>	<u>10,000</u>	<u>35,068</u>

DYNASTY EXPLORATIONS LIMITED
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 1971

6. LONG-TERM DEBT

Under a Trust Deed of March 1, 1968, the Company has issued the principal amount of \$6,500,000 of 7% Convertible Collateral Income Debentures, to mature April 1, 1982. Each \$1,000 principal amount of debentures is convertible at the holder's option into 80 fully paid and non-assessable shares of the Company at any time until April 1, 1975 or until such later date at which at least one full year's interest on the debentures has been paid. The Company may at any time redeem these debentures together with interest accrued, payable (as defined in the Trust Deed) and unpaid, upon notice to the holders who then have a thirty-day period within which to convert at their option.

As at December 31, 1971 the outstanding principal and interest was as follows:

	Principal \$	Accrued Interest \$	Total \$
Balance—beginning of year	5,865,000	1,095,892	6,960,892
Add: Interest for 1971		410,298	410,298
	<u>5,865,000</u>	<u>1,506,190</u>	<u>7,371,190</u>
Less: Converted to shares during the year	4,000	772	4,772
Balance—end of the year	<u>5,861,000</u>	<u>1,505,418</u>	<u>7,366,418</u>

Interest accrues on these debentures from date of issue, but payment of interest is subject to the availability of net cash income of the Company as defined in the Trust Deed.

All funds to be received from Anvil must be paid to the Trustee for the retirement of the debentures and for payment of interest (except for an amount of up to \$50,000 per year for corporate and administrative costs of the Company).

7. CAPITAL STOCK

As at December 31, 1971 capital stock outstanding was as follows:

	Number of shares	Par value \$
Balance—beginning of year	2,988,700	2,195,950
Issued during the year	<u>2,320</u>	<u>4,640</u>
Balance—end of year	<u>2,991,020</u>	<u>2,200,590</u>

Subject to the terms of the debenture issue (note 6) the Company issued during the year 320 shares on conversion and has reserved 468,880 for future conversions.

The Company has agreed to offer to Cyprus Mines Corporation on the occasion of each new issue of the Company's equity securities 20% of the total of such new issues on the same terms as such are offered to others.

The Company has reserved 100,000 shares for an employees' stock option plan. Under this plan, options on 10,000 shares have been granted at the price of \$3.91 per share expiring at various dates to 1981. As at December 31, 1971, 2,000 shares under option had been purchased and options on 8,000 shares were outstanding.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Atlas and Dynasty share management, employees, premises, and overhead expenses on the basis that Dynasty incurs these expenses and charges to Atlas its pro rata share. Dynasty's portion of the remuneration which was paid to senior officers including directors and consulting companies controlled by them amounted to \$98,203.

9. CONTINGENT LIABILITY

At December 31, 1971, \$10,092 has been received and \$40,000 has been set up as receivable as grants under Northern Mineral Exploration Assistance Regulations. The grants are repayable with interest, over ten years, if the property for which the grants were received should come into production.

AR44

DYNASTY EXPLORATIONS LIMITED

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 1971 (Subject to Audit)

	1971 \$	1970 \$
SOURCE		
Operations:		
Earnings for six months	<u>933,276</u>	-
USE		
Operations		
Loss for six months	-	96,777
Items not a source or use of Working Capital:		
Income (loss) from Affiliated companies	1,033,565	(76,267)
Interest income - 7½% income bond	210,835	223,901
Interest expense - 7% debenture	(203,486)	(205,229)
Depreciation and amortization	(11,861)	(6,774)
Net funds used in operations	<u>1,029,053</u>	<u>32,408</u>
Participation in exploration joint ventures	93,102	240,863
Fixed assets - net	<u>1,209</u>	-
	<u>1,123,364</u>	<u>273,271</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(190,088)</u>	<u>(273,271)</u>
WORKING CAPITAL - Beginning of Period	<u>585,649</u>	<u>1,145,602</u>
WORKING CAPITAL - End of Period	<u>395,561</u>	<u>872,331</u>
Represented by:		
Current assets	429,140	896,832
Less current liabilities	<u>33,579</u>	<u>24,501</u>
WORKING CAPITAL	<u>395,561</u>	<u>872,331</u>

DYNASTY EXPLORATIONS LIMITED

STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 1971 (Subject to Audit)

	1971 \$	1970 \$
INTEREST INCOME		
7½% Income Bonds	210,835	223,901
Other	<u>13,498</u>	<u>40,195</u>
	<u>224,333</u>	<u>264,096</u>
EXPENSES		
Interest Expense -		
7% Debentures	203,486	205,229
Other Expenses	<u>121,136</u>	<u>79,377</u>
	<u>324,622</u>	<u>284,606</u>
OPERATING LOSS	<u>100,289</u>	<u>20,510</u>
OTHER INCOME (Note 1)		
Income (Loss) from Affiliated Companies:		
Atlas Explorations Limited (24% equity)	89,965	(36,267)
Anvil Mining Corp. Ltd. (40% equity)	<u>943,600</u>	<u>(40,000)</u>
	<u>1,033,565</u>	<u>(76,267)</u>
EARNINGS FOR PERIOD	<u>933,276</u>	<u>(96,777)</u>
Earnings (Loss) per share	31¢	(3¢)

NOTE 1

The Company has adopted the policy of accounting for investments on an equity basis for those companies in which they have a greater than 20% voting interest.

DYNASTY EXPLORATIONS LIMITED

330-355 BURRARD STREET
VANCOUVER, B.C.
CANADA

INTERIM REPORT

JUNE 30th, 1971

STATEMENT OF EARNINGS AND
STATEMENT OF SOURCE AND USE OF WORKING
CAPITAL FOR THE SIX MONTHS ENDING
JUNE 30th, 1971

DYNASTY EXPLORATIONS LIMITED

To our Shareholders:

Anvil Mining Corporation

The Quarterly Board Meeting of Anvil Mining Corporation Limited was held in Faro on July 22, 1971.

The General Manager reported to the Board of Directors that during the second quarter all phases of the operations continued to improve as compared to the first quarter. He reported that the mill throughput for the first half was 107% of designed rate. Concentrate production for the first half totalled 201,152 dry short tons which was close to originally planned concentrate production. The net value of production for the first half was \$2,772,000.

Further, it was reported by the General Manager that recoveries of both lead and zinc continue to improve. The grades of lead, zinc and bulk concentrates have also shown improvement and have also reached a satisfactory level.

The price of zinc was increased by 15% in June and this will lead to significantly improved profits over the balance of the year.

The Board of Directors approved a capital expenditure of \$62,000 required for the installation of additional flotation cells which, when installed, are expected to result in further improved zinc concentrate grades.

Mineral Exploration

Field activities are being concentrated in the Anvil area, Yukon, where, under a revised 80%/20% joint venture with Atlas Explorations, the company is fully financing a \$100,000 program of regional geologic mapping, geochemical and ground electromagnetic surveys which is now in progress. Results to date have indicated geophysical-geochemical targets within the phyllite section that is the host unit for the Vangorda, Faro and Swim deposits. Two additional claim groups totalling 76 claims have been staked in recent weeks covering new target areas. Rotary drill testing of these anomalous areas is planned for 1972.

In joint venture with the Company and Atlas Explorations, Imperial Oil Enterprises Ltd. has recently commenced a diamond drilling program on the Max

porphyry copper molybdenum prospect based upon results obtained by Dynasty-Atlas in the 1970 season.

A program of prospect examination is also being carried out in southern B.C. and Washington State.



Aaro E. Aho
President

August 2, 1971

ANVIL MINING CORPORATION LIMITED

SUMMARY OF OPERATIONS

	1971 RESULTS	
	3 Months to June 30	6 Months to June 30
Ore		
Tons Milled (D.S.T. 000's)	643	1,270
% Lead	4.6	4.6
% Zinc	6.7	6.7
Concentrates Produced		
Lead Concentrate (D.S.T.)	34,205	68,467
% Lead	67.4	66.5
Zinc Concentrate (D.S.T.)	57,175	103,455
% Zinc	50.4	49.3
Bulk Concentrate (D.S.T.)	15,174	29,230
% Combined Lead/Zinc	46.2	44.8
Average Metal Price		
Lead — ¢ per pound	12.5	12.3
Zinc — ¢ per pound	16.3	15.4
	\$(000)	\$(000)
Net Market Value of Production	<u>11,591</u>	<u>20,505</u>
Production and Operating Costs	6,686	13,260
Depreciation & Amortization	989	1,854
Interest on External Borrowings	840	1,750
Yukon Mining Royalty	226	226
Gain on Foreign Exchange	-	(261)
	<u>8,741</u>	<u>16,829</u>
Value of Production Before Shareholder Interest	<u>2,850</u>	<u>3,676</u>
Shareholder Interest	<u>467</u>	<u>504</u>
Net Value of Production	<u><u>2,383</u></u>	<u><u>2,772</u></u>

AR44

DYNASTY EXPLORATIONS LIMITED
Suite 330 — 355 Burrard Street
Vancouver 1, British Columbia

INFORMATION CIRCULAR

AS AT APRIL 15, 1971 FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON TUESDAY, MAY 18, 1971.

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of DYNASTY EXPLORATIONS LIMITED (the "Company") of proxies to be used at the Annual General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The cost of solicitation by the management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are the President and the Secretary of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of Proxy and, in either case, delivering the completed proxy to Guaranty Trust Company of Canada, at its offices at 540 Burrard Street, Vancouver, British Columbia, not less than 48 hours (excluding Saturdays and holidays) before the person named therein purports to vote in respect thereof.

A Shareholder who has given a proxy may revoke it at any time to the extent that it has not then been exercised.

Exercise of Discretion by Proxies

The shares represented by the enclosed form of proxy will be voted, and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted in accordance with the specification so made. SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF ANY MATTER FOR WHICH NO SPECIFICATION HAS BEEN MADE. The enclosed form of proxy confers discretionary authority upon the person appointed proxy thereunder with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Information Circular the management of the Company knows of no such amendment, variation or other matter.

Voting Shares

On April 15, 1971, 2,989,020 ordinary shares with a par value of \$2 each of the Company were issued and outstanding as fully paid and non-assessable, each share carrying the right to one vote. Any person or company registered as a Shareholder of the Company at the commencement of the meeting will be entitled to vote at the Meeting.

Election of Directors

The Board presently consists of four directors whose names are set forth below and who will be nominated for election at the Meeting. The persons named in the enclosed form of proxy intend to vote for the election of these nominees. The management does not contemplate that any of the nominees will be unable to stand for election but if that should occur, the persons named in the enclosed form of proxy reserve the right to vote in their discretion for another nominee. Each director elected will hold office until the next Annual General Meeting of the Company, unless he is earlier removed from office in accordance with the articles of Association of the Company.

The following table sets out the names of the nominees, all offices with the Company now held by them, their principal occupations, the period of time for which each has been a director of the Company, and the number of shares beneficially owned by each of them, directly or indirectly, as of April 15, 1971.

Name, Address and Position Held	Principal Occupation or Employment*	Appointed a Director of the Company	Shares Beneficially Owned*
Dr. Aaro Emil Aho 2855 Marine Drive West Vancouver, B.C. Chairman of the Board President & Director	President of the Company and of Atlas Explorations, Limited of Vancouver, B.C.	April 27, 1964	67,175
R. E. Gordon Davis 5555 Newton Wynd Vancouver, B.C. Executive Vice-President & Director	Executive Vice-President of the Company and Executive Vice-President of Atlas Explorations Limited	October 7, 1964	111,800
John Bruk 890 Greenwood Road West Vancouver, B.C. Secretary and Director	Barrister & Solicitor Partner in the firm of Lawrence & Shaw, Vancouver, B.C., Solicitors for the Company	March 13, 1967	4,100
H. Richard Whittall 6288 MacDonald Street Vancouver, B.C. Director	Partner in Richardson Securities of Canada, Vancouver, B.C. since September 1, 1966 and prior thereto President of Norman R. Whittall Limited of Vancouver, B.C.	May 1, 1968	1,000

*The information as to shares beneficially owned and principal occupations is not within the knowledge of the Company and has been furnished by the respective directors.

Remuneration of Directors and Senior Officers

During the year no directors' fees were paid. Pursuant to the January 1, 1970 Agreement referred to below, the Company and Atlas Explorations Limited ("Atlas") shared management, employees, premises and overhead expenses on the basis that Atlas incurred the same and charged to the Company its pro rata share. The Company's portion of the remuneration which was paid to senior officers including directors and consulting companies controlled by them amounted to \$44,726.

Interest in Material Transactions

The Company has entered into an agreement dated as of January 1, 1969 with Atlas whereby, among other things, the two companies have agreed to participate in all new projects initiated by either company, with the share interests and cost of each project to be 60% for the Company and 40% for Atlas, and the two companies have respectively agreed to give to each other the right of first refusal to participate in their respective existing projects. The two companies are located at the same address, have common Boards of Directors and large shareholdings in each other. Under the terms of such Agreement Atlas performs administrative, exploration and technical work in connection with the joint projects. The cost to the Company of participation in such joint projects during the fiscal year ended December 31, 1970 was \$488,348. In addition, pursuant to an agreement dated as of January 1, 1970 between the Company and Atlas, overhead and general administrative expenses incurred by either party for the benefit, in whole or in part, of the other are allocated between the parties in such proportion as the respective directors of the Company and Atlas may from time to time agree. The senior officers of Atlas and their residence addresses, where not specified above, are Aaro E. Aho, President; R. E. Gordon Davis, Executive Vice-President;

Selwyn B. Jones, 4803 - 6th Avenue, Tsawwassen, B.C., Vice-President, Corporate; John S. Brock, 3029 Proctor Avenue, West Vancouver, B.C., Vice-President, Exploration; and John Bruk, Secretary. To the knowledge of the Directors and Senior Officers of Atlas, no person except the Company beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the outstanding shares of Atlas.

Appointment of Auditors

The person named in the enclosed form of proxy intends to vote for the re-appointment of Messrs. McDonald, Currie & Co., Chartered Accountants, Vancouver, British Columbia, as auditors of the Company to hold office until the next Annual General Meeting of Shareholders. Messrs. McDonald, Currie & Co. have been auditors of the Company since April 23, 1964.

Authorization to Acquire Shares in Other Companies

The Companies Act of British Columbia provides that, subject to certain exceptions, no public company may acquire by purchase or otherwise shares in any other corporation unless expressly authorized by an ordinary resolution of the Company. A general meeting of the Company may, by ordinary resolution, confer a general authority to take or acquire shares of other corporations, which authority expires at the next general meeting of the Company. The Company presently has such authority as a result of a resolution passed at the last Annual General Meeting of the Company, but management believes it advisable that the Company continue to have the power to acquire shares of other corporations during the coming year.

Other Business

The management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If other matters properly come before the Meeting, it is the intention of the person named in the proxy to vote the same in accordance with his best judgment of such matters.

DATED at Vancouver, British Columbia as of the 15th day of April, 1971.

DYNASTY EXPLORATIONS LIMITED

Suite 330 — 355 Burrard Street
Vancouver 1, British Columbia

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual General Meeting of the Shareholders of Dynasty Explorations Limited (hereinafter called the "Company"), will be held in the Vancouver Island Room of the Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, Canada, on Tuesday, the 18th day of May, 1971 at the hour of 10:00 o'clock in the forenoon (Local Time) for the following purposes:

1. To receive the report of the Directors to the Shareholders and the Financial Statements of the Company for the year ended December 31, 1970 and the Auditors' Report thereon;
2. To elect Directors for the ensuing year;
3. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To confer general authority on the Directors to take or acquire shares in other corporations by purchase or otherwise.

The report of the Directors and the Financial Statements for the fiscal year ended December 31, 1970 and the Auditors' Report thereon form part of the Annual Report of the Company, a copy of which accompanies this Notice.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to complete, sign and mail the enclosed proxy in accordance with the instructions set out in the proxy.

An Information Circular accompanies this Notice.

DATED at Vancouver, British Columbia this 5th day of May, 1971.

By Order of the Board,

JOHN BRUK,
Secretary.

